THE NATIONAL CITY BANK OF NEW YORK

1915

U. S. SECURITIES GOVERNMENT FINANCE ECONOMIC AND FINANCIAL CONDITIONS

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Better Business Conditions.

THE outstanding feature of the business situation in October has been the fact that all trade has been unmistakably better. We expressed the opinion two months ago that as the season for fall trade came on the country would swing into a broad, general state of activity, and that expectation has been realized. Every part of the country now sends good reports, and the contrast they make with the conditions of a year ago is calculated to inspire the most profound sentiments of relief, satisfaction and gratitude.

The South, which a year ago was prostrate, with cotton selling at seven cents per pound or less, has regained its footing and its courage. Although this year's cotton crop is smaller by possibly more than twenty-five per cent., the total value will be higher than last year's, and it has been raised at a considerably lower cost. Furthermore, the South has grown more of other crops, particularly corn and wheat, than ever before, and has reached the stage of giving thanks for the lessons of adversity. With the rise of cotton to twelve cents per pound, a different atmosphere pervades the South, and it is again an active factor in the trade of the country.

The grain farmers are not faring quite so well as last year, for prices are lower, but the yields are so large that they have little cause for complaint. The one serious disappointment in agriculture this year has been in the failure of a considerable portion of the corn crop in the northern part of the belt to reach maturity, but the hay and forage crops are so abundant that the loss will be borne with comparative ease. This is the advantage of having the corn crop cut down by a wet season instead of by a drought which curtails all plant growth. The fruit and root crops are generally good. The wet season drenched even the plains states, so that the "dry" farmers have had a prosperous season, with unheard of yields of wheat, as well as abundant crops of sugar beets and the grasses. The prospect for a continuance of the duty on sugar increases the cheerfulness of the West. The wool growers have sold this year's clip at record prices, and the live stock interests are exceptionally prosperous. Farm seekers from other states are pouring into the states of the northwest where a limited amount of comparatively cheap land is still to be had.

The metal mining industry of the West, which was badly crippled a year ago, is now in full swing. There is enormous activity in the production of copper, lead and zinc; it is now up to capacity of the mines and smelters, and in the case of zinc the smelter capacity is being materially increased. So far as agriculture, stock raising and mining go the West is exceedingly prosperous.

The iron and steel industry has expanded steadily and rapidly in the past six months until the production of basic materials is now surpassing all records, although some lines of finished goods are not in normal demand. There is a broad general improvement, the point has been reached where the fear of not being able to get deliveries is stimulating purchases, and prices are advancing in many lines to the best figure realized in recent years. The earnings of the United States Steel Corporation for the third quarter of 1915 were the largest for any quarter in several years. New capital has begun to go into the steel industry, some of the important companies are undergoing reorganization, and capacity is being considerably increased.

Current railway earnings and bank clearings are now comparing with the subnormal figures of a year ago, and show heavy gains, for traffic and trade a year ago were about as poor as could be. Allowance must be made for extraordinary activity in certain lines, notably automobiles and war materials, but the general merchandise movement is much freer, and more confidence is manifested in commercial and industrial circles than at any time since the outbreak of the war. The figures for idle cars have taken a sudden drop, and complaints of car shortage, congestion of traffic and of labor shortage are becoming frequent. Business is not booming in all lines. Large construction work is still below what it should be in normal times in this growing country, but the amount of building of the smaller class makes a good showing. The available supply of labor is so fully employed that the situation is on the verge of being critical. Food supplies promise to be abundant and moderate in price for the coming year, and the outlook for general comfort and prosperity in the United States is at present very promising.

War Business an Unsettling Factor.

The disquieting factor in this otherwise encouraging situation is the large volume of business which directly or indirectly is due to the war, and liable to come to an end at any time, the sooner the better. The situation cannot be regarded as

squared for permanent prosperity while this is the case. Foreign trade development in new quarters is relatively small, and there are no large new undertakings in sight at home. It is not yet clear how the switch can be made from the present abnormal activities to other activities without the confusion, unemployment and unsettlement of values that usually accompanies such a movement.

In the past every revival from a period of depression in this country has been made under the leadership of the railways, which have exerted a powerful influence through large expenditures for extensions, improvements and equipment. The great period of expansion which began about 1898 and with slight reactions lasted nearly ten years is an example in point. The trans-continental roads and several important trunk lines were practically rebuilt in this time. Armies of men were employed upon the roadways, and many more in the steel works, lumber mills, cement works, equipment shops and in other industries stimulated by these enormous expenditures. Some such revival of railway construction as this would take up the slack likely to exist in our industries at the end of the war, but it is difficult to conceive of any other development that could do it. There are many railways in this country needing to have great expenditures made upon them to bring them up to the best standards of efficiency; one-sixth of the railway mileage of the country is being operated at the present time by receivers, and the companies involved all need money not only to meet their pressing obligations but to put the roads in condition for the most economical operation. Moreover, there are many other roads that could use capital so advantageously in the reduction of operating costs as to save more than the interest on the required investments. The Chicago, Milwaukee & St. Paul Company is about to begin the regular operation of trains by electricity over about 600 miles of mountain road, and confidently expects that the economies realized will pay the interest upon the cost of installation and leave a good margin of saving. If this proves to be so, a large opportunity for the profitable investment of capital and the employment of labor will be opened up, but the investing public will have to be convinced that the railroad companies will be allowed to enjoy the benefits of such economies after they are accomplished. If the revival of business now under way should develop traffic and earnings enough to reinstate railway shares and securities in popular favor, the way would be opened to raise money, but confidence in railway investments has been seriously shaken by the net results of wage-fixing by arbitration and rate-fixing by public commissions. The theory of public authority and supervision over railways is not in itself in controversy, but that authority must be exercised with more liberality than it has been of late if the public is to voluntarily supply the capital for railway development.

The banks of this country are in very strong position, and the reduction of our indebtedness abroad and the holdings of foreign obligations that we have acquired, give us a commanding position in the exchanges which will be very serviceable when they turn against us, as they ultimately will do. There is nothing under the surface, or anywhere in the present situation to occasion alarm at this time, but it certainly would not be prudent to lose sight for one moment of the fact that the state of prosperity which we are entering upon is more or less precarious, because based to an important extent upon uncertain and unstable foundations.

The industrial companies which are making large profits are believed to be generally pursuing a conservative policy, reducing indebtedness, increasing sinking funds and reservations, and fortifying themselves against a reversal of times later on. It will be well for wage-earners who are enjoying high wages and war bonuses to make similar provisions. There is a big, swift river to cross before this country can safely rely upon having a long period of uninterrupted prosperity before it.

The Anglo-French Loan.

The Anglo-French loan was the first foreign loan, on a large scale, ever attempted in this country, and few loans of its magnitude have ever been attempted in any foreign country. The conditions were extraordinary, particularly in the fact that vigorous and influential local opposition was made to it in nearly all parts of the country. Under the circumstances the issue was taken with remarkable ease. Approximately one-half was withdrawn by the members of the syndicate, who took the bonds to keep on their own account, or for customers who were allowed to participate in the underwriting. The loan was handled in this respect with the broadest liberality, so that a very unusual amount of the securities was permanently placed without any commissions, the bankers giving their services without charge because they believed the loan important to the support of the business situation in the United States. The loan has undoubtedly grown in favor as the strength of its position as an exterior loan has been understood. It is in effect a first lien, ahead of all other claims and obligations, upon all the taxable property in the United Kingdom and France, and all of the taxable property includes all of the internal debts of these governments which are held by persons subject to the income taxes. That is to say, all of the other debts can be taxed for the benefit of this debt.

The only British war taxes thus far levied which are likely to affect persons whose annual incomes are less than £130 are those upon tea, sugar, dried fruits, beer and tobacco. The income tax rate on the lowest incomes is one shilling, two pence to the pound sterling, plus forty per cent., and with exemptions for children. It appears that as yet the wage-earning class has not been oppressively taxed, although the revenues of the government have been doubled. The new taxes are falling upon well-to-do people, and when further increases are made they doubtless will fall mainly upon this class, and be raised in great part by higher levies upon incomes. Every new internal loan floated in Great Britain or France increases the amount of private incomes subject to these income taxes, which means that a large part of the interest which the governments pay upon these debts will simply pass through the

hands of the debt holders and back into the treasuries.

These exterior bonds are in a class by themselves. They are not subject to British or French taxation, and while they are not in terms preferred for payment over other debts, when one bond is taxable not only to pay itself but another, and the other is not taxable at all, it is clear that the latter is in a preferred position.

The British ministry was subjected to considerable criticism for making a loan which would cost nearly six per cent., but the bill authorizing it was passed without any votes against it.

Foreign Exchange Rates.

The rates on sterling and French exchange rallied under the influence of the negotiations for the $500,000,000 loan, sterling reaching about $4.72 on demand bills, but since then quotations have declined to about $4.62. The volume of transactions at the low figures has been small, and the market has been led by London, where the demand for means of payment at New York has apparently been too impatient to await the supply of funds provided by the loan. The funds produced by the loan have not yet been assembled or made available, and the $250,000,000 which is London's share does not look very large in that money market at this time. No announcement has been made as to how it will be handled, and the ordinary merchant or outsider who has payments to make in the United States is in the dark as to whether any of the exchange will be available for him. As it is evident that there will be nowhere near enough to go around it seems probable that it will all be used upon government purchases. The Chancellor of the Exchequer, in the discussion over the loan in the House of Commons, declared that its purpose was not primarily to buy munitions but to stabilize exchange, but it is known that government purchases are including not only munitions, but clothing, shoes, leather, sugar, flour, meats, motor cars and trucks, oil, steel, and a great variety of the ordinary articles of trade. If any of the exchange is disposed of to private buyers of American commodities it is quite certain to go for the purchase of food stuffs, which are necessary to the population and are being made excessively high by the shipping and exchange rates prevailing. Indeed it is well known that the British government would look on with a great equanimity if between high freights and high exchange the importations of some commodities should be largely curtailed. Under the circumstances, therefore, it is not surprising that much uncertainty prevails as to exchange rates.

Purchases of goods by Great Britain, France, Russia and Italy have been proceeding since the loan was made on a very heavy scale, and large contracts are being made with deliveries running throughout 1916. Shipments in October have been surpassing previous records, total exports from twelve leading ports for the week ended the 23rd, aggregating the astonishing total of $98,700,000. For the assistance of a movement like this a credit of even $500,000,000 is only a temporary makeshift. The problem of how the trade can go on is almost as imminent as it was before.

Already the importation of gold has been recommenced upon a large scale, the influx amounting to about $40,000,000 in the last half of October, with more impending. The facilities of the United States Assay office in New York, where all importations are turned into the United States Treasury, have been over-taxed, and large amounts cannot be received there at present. Importations since January 1st now total $325,000,000, approximately three times the receipts of any other full calendar year.

Negotiations are under way for further accommodations, which are likely to take the form of acceptances, drawn by the leading British and French banks. Lee, Higginson & Company and the Guaranty Trust Company are handling $25,000,000 of one-year notes of the Italian government, bearing 6 per cent. interest and offered at par, with the privilege of conversion at maturity into 10-year 5½ per cent. gold bonds.

The French notes for $10,000,000, placed in this market last fall, the first war loan in this market, will come due November 5th and will be paid. The Russian acceptances for $25,000,000 placed here in February last for six months were paid at maturity.

The Money Market.

Extreme ease continues to characterize the money market. The offerings of commercial paper do not increase as might be expected in view of the other evidences of business revival. The stock market is using more money than it did months ago, but its applications have been scrutinized with care and kept within reasonable bounds. The borrowings of country banks in the West and South have been upon about the same scale as in ordinary years, although considerably less than a year ago.

The weekly statements of the Federal Reserve banks do not show any important increase in their holdings of discounted bills commodity paper. The total holdings of bills by all the banks on October 22nd were $43,322,000, against $44,431,000 on September 24th, $42,839,000 August 27th, and $39,423,000 July 23rd. The reserve deposits are rising, amounting to $340,444,000 on October 22nd, against $301,063,000 on July 23rd. The reports of the three banks which received $5,000,000 each of Treasury deposits for loan upon commodity paper at 3 per cent. do not indicate that any considerable portion of these funds has been used.

Rates are at the bottom for the year, and with gold imports continuing in record-breaking amounts there is no prospect for a change this year. Money is abundant for all regular business requirements.

Bond Market in October.

No event has so served to demonstrate the changed banking and investment conditions in the United States as the apparent equanimity with which the market has accepted the $500,000,000 Anglo-French loan. Not so very long ago it was considered a difficult feat to consummate any bond transaction involving a sum in excess of $50,000,000, and the results were always carefully analyzed to determine the condition of the investment market and the ease of the banking situation. The large public sales of New York City bonds from

time to time rarely passed without a flutter in the money market. The unruffled composure, therefore, which has been maintained in the face of the enormous offering of Anglo-French bonds is not only a tribute to the soundness of the banking situation under our new banking law, but an excellent omen for the future growth of the banking and investment community of the United States into a position of great importance in the field of international finance.

It was probably the well-considered opinion of investment dealers that the offering of the Anglo-French loan would cause a general readjustment of investment values in the direction of higher interest rates and lower prices for bonds. The astonishing fact is, that concurrently with the offering of the Anglo-French loan, the demand for high-grade bonds and short-term notes has greatly increased and in consequence the average price of bonds as measured by standard indices has advanced during the month.

According to The New York Times' compilation, the average price of forty selected bonds increased from 82.08 on September 1st to 83.06 on October 1, and on October 26th stood at 84.95, an advance of nearly two points in less than a month. The present average is at the highest point of the year and stands well above the level reached in the beginning of May, just prior to the sinking of the Lusitania. The recent advance has been scored in the period of usual seasonal tightness in the money market, due to inland demands for the moving of crops, and is all the more remarkable because of the unprecedented crops that are being moved this year.

The volume of bond transactions on the New York Stock Exchange in October promises nearly to equal the monthly record for the year, which was established by April with total transactions of $110,363,300. For the month up to October 27th, about $92,000,000 bonds were traded in on the Exchange. The New York Central 6s continued their leadership, approximately $6,000,000 of these bonds being traded in with the price gradually advancing to above 108. The increased public demand for this security has arisen not only from a gradually widening appreciation of its intrinsic value, but also because the market value of the stock, into which the bonds are convertible, has responded to the exceptionally good earnings which the New York Central System is making in the current year. Wabash Railroad Refunding Bonds were also active to the accompaniment of the favorable progress of the reorganization plan to final fulfillment. Westinghouse Electric and Manufacturing Convertible 5's, Chile Copper Convertible 7's and Distillers' Securities 5's also received considerable general attention, each because of special conditions surrounding the business of the respective company.

United States Bonds.

The market for United States 2% Bonds improved considerably during October. Whereas 97 was the best bid prevailing at the beginning of the month, sales were made at as high as 98¾ at the close. This situation was principally caused by the action of the Federal Reserve Banks, making purchases in the neighborhood of 98. There was also buying by National Banks for circulation purposes.

The Federal Reserve Board has received letters from various banks desirous of disposing of 2% bonds under the terms of the Federal Reserve law. The provision becomes effective December 23, 1915, and the first end of a quarterly period after that date is December 31, 1915. In order to comply with the terms of the statute, applications would have to be filed with the Treasurer ten days before this time, or by December 21, 1915. That is to say, the application would have to be filed at a time when this praticular provision of the act is not in operation.

The Board has now determined that it will not undertake to require banks to purchase any bonds for the retirement of circulation prior to the end of the quarterly period closing March 31, 1916. It will, however, permit banks to begin filing applications as soon as they see fit, notwithstanding that assignments will not be made until the date indicated. The Board has also announced that until further notice it will not allot to any one Federal Reserve Bank in any one quarter more than one-fourth of its pro rata share of the bonds to be purchased during the calendar year.

Upon the publication of these announcements a good many bonds were withdrawn by member banks from the market, showing that the action was interpreted to mean that a regular demand for the bonds at par would soon be created.

Prices for the other Government issues advanced in sympathy. Sales of the 3s of 1908 were made at as high as 101¾. The 4s of 1925 in registered form sold at 110, while sales of the coupon bonds of this issue were made at 110¾.

There was a good demand for Panama 3s of 1961, the range for the month being between 101 and 102. The floating supply was very small and if the demand continues prices ought to advance still further. Without going into the question very fully, it is probable that our Government could sell $50,000,000 Panama 3s at 100 or better at the present time. The amount that could be disposed of at that rate, however, is strictly limited, and when the particular demand was satisfied the market would be very unreceptive to more.

The Bureau of Insular Affairs at Washington, D. C., sold $700,000 Porto Rican 4s on October 14th. These bonds were divided into two classes: $300,000 of them in odd lots, maturing from 1919 to 1935; these were designated as Refunding Bonds. The remaining $200,000 bonds were classified as Irrigation Refunding Bonds and matured in $100,000 lots from 1955 to 1958. The successful bid for the shorter bonds was 98.53, while 97.53 was secured for the long time Porto Rican 4s. These bonds are of a gilt-edge character, being considered exempt from personal taxation throughout the United States. In addition, they are exempt from the provisions of the Federal Income Tax Law and are taken by the Department at Washington at par to secure Government and Postal deposits lodged with banks throughout the country.

Ocean Shipping Conditions.

The scarcity of tonnage and excessive cost of ocean transportation is a serious obstacle at this

time to the expansion of our foreign trade and a heavy burden upon the shipments that are being made.

Ocean freights are now, on a general average, from three to four times what they were before the war, upon shipments to peaceful parts of the world. They are six to nine times the normal rate on shipments to European neutrals and to belligerent countries.

Taking wheat, for example, a rate of six pence per quarter was common before the war. Wheat was sometimes carried free, or with even a premium paid for it, as ballast, and so there was no "normal rate." But "one and sixpence" was a stiff rate, "two and six" high, and four shillings was regarded as extraordinary when it came, on rare occasions. On October 27 November cargo rates on wheat to Ireland were at 12 and 13 shillings, or 37½ to 40 cents per bushel.

On actual exportations of staple manufactures to Australia, shown by merchants in that trade, the sharp increases in freight have in some cases brought the cost of freight to a higher figure than the price of the goods. In a number of instances, the increase in freight has raised the cost of our goods to the Australian customers 25 per cent. Incidentally, the duty on the goods, passing through custom-houses, has been raised in the same proportion. Such increases as these undoubtedly tend to restrict purchases.

The cost of transportation is rising because of the demand for it and the shortage of cargo-space. It is said that the freight now awaiting shipment at New York would fill five times as many ships as are available. This condition is so serious that it threatens a check upon industry.

Freights have risen on all the trade-routes in the world. War risks have fallen—one source of relief—in all parts of the world excepting European waters. The withdrawal of United States shipping lines from the Pacific has had the effect of raising freight costs, of restricting transportation facilities, and of lengthening time of voyage. The Japanese lines have practically raised freight rates by withdrawing all rebates. United States merchandise is subject to deferred handling, and nearly all voyages, including shipping connections with the Philippines, are made via Japanese ports.

Branch Banks in Latin-America.

About one year has now elapsed since the Branch of The National City Bank of New York was opened at Buenos Aires, this being the first of the six branch banks that have thus far been established by this Bank in foreign countries, under the authority of the Federal Reserve Act. The Branch at Rio de Janeiro was opened in March, 1915, and since then its sub-Branches at Santos and Sao Paulo, important cities of Brazil. August 1st, 1915, a sub-Branch of the Buenos Aires office was opened in Montevideo, and on August 23rd the West Indian Branch at Havana, Cuba. In Havana, a going institution, The Banco de la Habana, with $1,000,000 capital, which had been in existence six years, was taken over, but the other branches are new banks. The aggregate amount of capital allotted to these branches in compliance with the provision of the Federal Reserve Act is $3,000,000, but the allocation is useless and the provision of law unfortunate. Evidently there can be no limitation upon the liability of the Bank for its branches; it is necessarily and inevitably behind them in all their obligations, and inasmuch as they are in competition with banks of large capital it would be better to have no suggestion of a limited responsibility. The British banks in South America name only their home capital.

When the policy of establishing branches in foreign countries was determined upon it was known of course that all the fields under consideration already had ample banking facilities for the present volume of domestic business, and that, in addition to the local banks, British, German, French, Spanish and Italian banks were well established with branch offices, and competing sharply in all lines. It was known also that an American bank operating under the restrictions of the National Banking System would be at a disadvantage in some respects in competing with banks which are allowed greater freedom of action, banking customs in these countries being quite different from in the United States. Other difficulties, incidental and inevitable in the establishment of branches in strange fields, so far from headquarters, were anticipated and have been realized. Nevertheless, what has been accomplished, viewed as a beginning and a foundation for future efforts, is sufficiently encouraging to justify persistence in the policy.

In some respects the European war has favored the branches and in other respects it has hampered their progress. It has diverted some business to the United States and through New York banks that otherwise would not have come here at present, but on the other hand it has so demoralized trade and disturbed credits as to multiply the hazards of banking, particularly for new institutions.

Conditions in South America.

Not only are the ordinary banking risks increased, but the very foundations upon which the business is done have been unsettled, for in nearly all of these countries the value of the currencies has been unsettled. All of the countries of South America have large indebtedness in Europe, making regular remittances necessary, and requiring the conversion of the local currency into foreign exchange; moreover, the revenues of the governments are chiefly derived from customs duties, and, as importations have fallen off about one-half, the authorities are in straits to meet the interest on their foreign debts and pay current expenses. In several instances they have found it necessary to resort to issues of paper money.

The case of Brazil, the richest country of South America, potentially, is in point, and as its banking and currency troubles began before the war broke out, and are of a class that has always been more or less prevalent in South America, they must be considered as a risk attendant upon business in those countries until they are further advanced in their industrial development.

In Brazil the milreis, which is the unit of value, was maintained for some years at about 32 cents

United States money. During these years large amounts of capital were entering the country and times were very good, in fact, the country was over-stimulated. In 1913 the inevitable turn came, early in 1914 a banking crisis was reached, and the outbreak of war so aggravated the situation that a general moratorium and an issue of 250,000,000 milreis of government paper money were deemed advisable. As a result of these events, the value of the milreis has declined to about 24 cents, which means that a bank which had put its capital into loans on a 32 cent basis two years would now have a loss of about twenty-five per cent. if it collected every loan in full. Recently the Brazilian Congress has authorized a further issue of 350,000,000 milreis of legal tender paper, the effect of which remains to be experienced. It is not for outsiders, unfamiliar with conditions, to criticise this policy. Undoubtedly the government has a very difficult situation to deal with, but fluctuations in the value of the currency add greatly to the hazards of the banking business.

Long Credits.

These countries are engaged in developing their natural resources, and all business is closely related to agriculture and the production of raw materials. Capital is scarce, and under such conditions credits are long-drawn-out. It has been the same in the newer sections of our own country. Debtors have so many uses for money that they do not like to pay, and do not see why they should be required to pay: for are they not good? The system of long credits is general; the merchant grants them in the retail trade and expects them from the jobber and importer, and all expect them from the banker. The conditions are characteristic of countries lacking capital, but they are especially difficult for foreign banks to deal with, and particularly so for foreign banks that are not allowed to take real estate security. Throughout South America mortgages are commonly relied upon for security, and in some countries more than one-half of the banking business is based upon real estate security. Another feature of the business, characteristic of new countries, and countries where distances are considerable and communication difficult, is the practice of using overdrafts, which it is needless to say is not looked upon with favor in the United States. The interest rates paid upon deposits are high, frequently five and six per cent. with seven not unknown, and a very intimate knowledge of local conditions and local credits is required to use such money profitably.

There is one class of business which is safe and desirable everywhere, and that is the purchase of bills of exchange drawn against the sale of staple products moving to the central markets of the world, and secured by shipping documents. This business is so desirable, however, that competition for it is very keen, and the margins on it are as small in South America as they are everywhere else.

Some of the Obvious Difficulties.

The general conditions attending the establishment and operation of branch offices in distant countries with infrequent mails and high cable tolls will be understood by business men. The responsibilities devolving upon the local representatives are very important; such officers must be in every sense trustworthy, and capable of acting upon their own initiative and judgment. It is needless to say that men who have had the training and experience to demonstrate these qualifications are in demand at home, and usually are reluctant to expatriate themselves, particularly if they have growing children. The scale of living and of business costs in the cities of South America is high, due largely to the fact that most building materials, and nearly all articles of manufacture and many articles of food are imported under high customs duties. Salaried help, therefore, must be paid considerably more than in the United States.

These are some of the more obvious difficulties that have been experienced. They did not come entirely by surprise, nor have they been much more serious than they were estimated. The main situation is about as it was judged when the undertaking was determined upon, and as an effort for the development of American interests, the movement never could have been more timely.

A careful examination of the field had convinced the management of this Bank that the time had come for the United States to make a more aggressive campaign for the trade of Latin America, and also that as a necessary accompaniment of such a campaign American business men must have the same kind of banking facilities throughout this territory as British and European traders have.

The services that a banker regularly renders to his customers in this country are familiar, and when a business man goes abroad to sell goods he has an even greater need for the same services. He is farther from his field of operations and he needs some one on the ground who is interested in his success, and who will be his confidential agent and keep his trade secrets. He needs a banker who has a knowledge of credits in the foreign field, who will give him trustworthy advice about them, and who will take the credits and carry them for him. All of this is no more than British and German bankers have been doing for fellow countrymen.

The Foreign Trade Department.

In entering the foreign field, this Bank adopted a broad and vigorous policy with a view to obtaining results as rapidly as possible. It determined to spend money freely at the outset in obtaining the necessary information abroad, and in stimulating interest in the foreign field. In each of the branches the work upon credits has been diligently prosecuted, reports are now obtainable upon several thousand names, and more are being rapidly added to the available list.

In addition to this work done in South America a careful canvass has been made of the exporting houses of this country for advice relative to their experience with this list of names, and much valuable information has been so obtained. Altogether a clearing house for credit information has been provided which promises to be useful to the trade. In each of the branches there has been established

a trade bureau with employes who are charged with the task of making a study of trade opportunities. A Foreign Trade Department was organized in the Bank, to which these Bureaus were attached, and as a means of general publicity a monthly magazine, "The Americas," was established, copies of which are sent gratuitously to a list of about 20,000 business firms selected from those most likely to be interested in the development of the export trade. This publication takes no advertising, and promotes no special interest, its purpose being solely to disseminate information and stimulate interest in trade between the Americas. All information gathered by the attaches of the branch bureaus is forwarded to the foreign trade department of the home institution and thence distributed by mail or through "The Americas" to parties most likely to take advantage of it. The service is costly, the expenditures upon it amounting in the aggregate to many thousands of dollars per month, but we have the gratification of seeing trade develop through these channels and of receiving many appreciative letters from American business men who are finding new outlets for their goods.

The Foreign Trade Department does not confine its effort to the development of trade in the countries where branches of this Bank have been established. It has sent representatives to other countries of South America, to China and to several countries of Europe to supply it with authentic information as to conditions in those countries. It has established in the Bank a bureau devoted to the dissemination of information about trade opportunities in Russia, which bids fair to be one of the best fields for American enterprise when the war is over. At the head of this bureau is a gentleman who until the outbreak of the war was associated in a responsible position with one of the most important distributing houses of Russia, with branches in the principal cities of the Empire. His acquaintance and knowledge of trade conditions and of credits has been placed without charge at the service of any American firm wishing information or advice about the Russian field, and here, also, it is gratifying to know that substantial results have been realized. To complete the service, an agency of the Bank has been established in Petrograd. All foreign branches and agencies are in charge of American citizens sent out from this country.

This sketch is intended to give simply an outline view of the work that has been undertaken in connection with the establishment of our foreign branches and as a necessary part of the scheme It is only a beginning and the time is too short for a showing of tangible results. It may be mentioned, however, that during the period two important loans for the government of Argentina, negotiated by the Branch at Buenos Aires, have been successfully put upon the American market through syndicates associated with the Bank. This is a good beginning for South American financing in this market. It is natural that government securities should come first and corporation securities follow. The investments of Great Britain in South America are estimated at $5,000,000,000, and the control of railways and other enterprises which these investments carry has much to do with giving Great Britain its preponderance of trade in that part of the world. At the present time development in all the countries is at a standstill because British and European capital is no longer available. South America looks to the United States with greater solicitude than at any previous time. The trade opportunities are more favorable than ever before, if allowance is made for the stagnation that must exist until supplies of capital are found for constructive work.

To sum up, the situation as to trade relations with South America requires comprehensive treatment. Numerous things need to be done together. Transportation facilities constitute one of the most pressing necessities. It is recognized that the great German steamship lines have been an indispensable factor in the phenomenal development of Germany's foreign trade, and with two such competitors as Great Britain and Germany it will be difficult for this country to make headway without increased shipping service. The Pan-American Conference of 1915 held that the provision of good shipping accommodations was necessarily the first step in the development of more intimate trade relations. Furthermore, American capital must enter into the development of these countries and become a factor in the domestic business life, and to accomplish this in a large way there must be co-operation on the part of our investing public.

Federal Reserve Agencies.

In this connection may be mentioned a recent proposal for the establishment in South America of agencies of the Federal Reserve banks. Under the law each of these banks is authorized to establish agencies in foreign countries—

"wheresoever it may deem best for the purposes of purchasing, selling and collecting bills of exchange, and to buy and sell with or without its endorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties."

It will be seen that the business which could be transacted by such agencies would be strictly limited and this indeed is necessary in order to keep them within the scope of the Reserve banks themselves. The provision for agencies was intended to give the Reserve System a means of controlling and safeguarding its gold holdings, and in normal times agencies in London and the principal financial centers of Europe will probably be found useful for this purpose.

The Federal Reserve Board has given out an opinion which holds that it is inadvisable for the Federal Reserve banks to establish agencies in South America, but that they should encourage and support the member banks in doing so. The statement, referring to a report by a committee of the Board, says:

The committee also called attention to the fact that England, Germany and France have established independent banks or branch banks of deposit banks in Latin-American countries to do pioneer work, and that the United States should pursue the same course, inasmuch as it is necessary for banks going into this field to have the widest possible range of activity in order to be able to compete with the local banks and the branches of the foreign banks already

STATEMENT OF RESOURCES AND LIABILITIES OF EACH OF THE TWELVE FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS OCTOBER 22, 1915.

(In Thousands of Dollars)

RESOURCES	Boston	N. Y.	Phila.	Clev'd	Rich'd	Atlanta	Chicago	St. Louis	M'npl's	Kas.City	Dallas	S.Fr'sco	Total
Gold coin and certif's. Settlement fund. Cr. Balances	13,909	132,752	9,191	11,015	5,969	5,835	29,445	3,925	1,463	4,111	3,999	5,391	227,005
Gold Settlement Fund.....	2,620	3,734	2,339	4,597	6,104	2,736	10,868	4,054	5,125	2,748	6,062	3,683	54,670
Gold Redemption Fund ..	6	55	37		375	225		35	30	87	341	21	1,212
Total gold reserves..	16,535	136,541	11,567	15,612	12,448	8,796	40,313	8,014	6,618	6,946	10,402	9,095	282,887
Legal tender notes, Silver certif's and Sub. coin....	442	28,495	2,740	1,003	84	153	977	147	7	266	307	5	34,626
Total Reserves......	16,977	165,036	14,307	16,615	12,532	8,949	41,290	8,161	6,625	7,212	10,709	9,100	317,513
Bills discounted and Loans Commercial paper	159	439	218	607	6,995	6,475	2,025	1,476	1,611	2,649	6,320	1,013	29,987
Bank acceptances.........	3,390	4,787	1,444	480	100		1,455	404	263	440		572	13,335
Total................	3,549	5,226	1,662	1,087	7,095	6,475	3,480	1,880	1,874	3,089	6,320	1,585	43,322 c)
Investment U. S. Bonds...	491		491	932			4,031	952	1,082	1,501		1,000	10,480
Municipal Warrants.......	3,249	8,513	2,891	3,668		4	2,940	1,140	793	809		1 379	25,381
Due from other F.R. Banks net..................	507		3,400	1,035	1,488	1,270	2,483	2,344	525	527	1,568	1,600	12,342(b)
Federal Reserve Notes, net	378	9,781	547	154			2,176		746			1,898	15,680
All other resources........	523	392	753	120	69	220	134	184	67	494	121	85	3,162
TOTAL RESOURCES.....	25,674	188,948	24,051	23,606	21,184	16,918	56,534	14,661	11,713	13,632	18,718	16,647	427,880
LIABILITIES													
Capital Paid in............	5,181	11,047	5,206	5,945	3,349	2,413	6,634	2,783	2,401	3,025	2,767	3,933	54,834
Government Deposits.....					5,000	5,000					5 000		15,000
Reserve Deposits, net.....	20,403	170,920	18,785	17,661	7,501	5,671	49,900	11,841	9,222	9,438	6,208	12,714	340,444
Due to other F. R. Banks net (b)..................		4,406											
Federal Reserve notes in circulation—Net Amt....					5,098	3,762		37		1,169	4,743		14,809(a)
All other Liabilities.......		2,575			146	72							2,793
TOTAL LIABILITIES.....	25,674	188,948	24,051	23,606	21,184	16,918	56,534	14,661	11,713	13,632	18,718	16,647	427,880

(a) Total Reserve notes in circulation, 141,569.
(b) After deduction of items in transit between Federal Reserve Banks, 12,342, the Gold Reserve against Net Liabilities is 79.3% and the cash reserve is 88.9%. Cash Reserve against liabilities after setting aside 40% Gold Reserve against net amount of Federal Reserve Notes in circulation, 91.1%.
(c) Maturities of bills discounted and loans: 10 days, 7,263; 30 days, 11,198; 60 days, 14,094; other maturities, 10,767; Total: 43,322.

established in these fields. Federal Reserve Banks being properly restricted to certain transactions and such as may not interfere with the absolute liquidity of their condition, could not compete successfully in this respect whereas it should be their function to do all in their power to assist American banks which enter the Latin-American field.

This statement touches the vital phases of the situation. Banks which are to effectively promote the interests of this country in South America must have the largest possible scope of activity and freedom in management. There is wanted as much as possible of the initiative and adaptability of a private banker, who does not have to conform to fixed practices or rules. There is obviously nothing to be gained for American trade in South America by the establishment of banks which will only divide the choice, but limited, business in foreign exchange, for which the keenest competition already exists.

The banking field in South America is wide open to the world, and the United States is the last important country to become represented there. The opportunities at present are to do pioneer work rather than to reap profits. Numerous arrangements, more or less intimate, exist between banks in the United States and the domestic, British and European banks in these countries, for handling the current business, and as trade and intercourse enlarge, there is every reason to expect that banking facilities will keep pace. It is probable, however, that there always will be a large number of banks in this country which will not care to take upon themselves the responsibilities and labors incidental to the management of branches in those countries. It is a special development which, like every other venture in specialization, requires preparation, organization and management planned and adapted to it. The facilities which this Bank has created are at the service of all the banks of the country.

Discount Rates.

Discount rates of each Federal Reserve Bank in effect October 28, 1915.

	MATURITIES				Agricultural and live-stock paper over 90 days.	Trade acceptances.		Commodity paper.
	10 days and less.	over 10 days to 30 days, inclusive.	over 30 to 60 days, inclusive.	over 60 to 90 days. inclusive.		To 60 days, inclusive.	Over 60 to 90 days inclusive.	
Boston........	3	4	4	4	5	3½	3½	A 3½
New York....	3	4	4	4	5	3½	3½	....
Philadelphia	3	4	4	4	4½	3	3	A 3
Cleveland....	3½	4	4	4½	5	3½	4	....
Richmond....	......	4	4	4	5	3½	4	A 3
Atlanta	......	4	4	4	5	3½	3½	3
Chicago.......	......	4	4	4½	5	......	......	....
St. Louis......	3	4	4	4	5	3½	3½	3
Minneapolis .	......	4	4	4½	5	......	......	3
Kansas City..	......	4	4	4	5	3½	3½	3
Dallas.........	......	4	4	4½	5	3½	4	3
SanFrancisco	3	3½	4	4½	6	3	3½	B

A Rate for commodity paper maturing within 90 days.

B Rate for commodity paper maturing within 30 days, 3½ per cent; over 30 to 60 days, 4 per cent; over 60 to 90 days, 4½ per cent; over 90 days, 5 per cent.

Authorized rate of acceptances. 2 to 4 per cent.

On March 10, the Federal Reserve Board fixed the following rates for rediscounts between Federal Reserve Banks: 3½ per cent. for maturities of 30 days or less; 4 per cent. for maturities of over 30 days to 90 days inclusive.

THE NATIONAL CITY BANK OF NEW YORK.

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THE NATIONAL CITY BANK
OF NEW YORK

THE ISSUES OF BONDS DESCRIBED IN THIS OFFERING HAVE BEEN CAREFULLY INVESTIGATED BY US AND ARE RECOMMENDED TO CONSERVATIVE INVESTORS.

THESE SECURITIES HAVE A BROAD AND ACTIVE MARKET AND WE BELIEVE AT PRESENT PRICES OFFER ATTRACTIVE INVESTMENTS.

DETAILED INFORMATION IN REGARD TO ANY SECURITY WILL BE FURNISHED UPON REQUEST.

THE NATIONAL CITY BANK OF NEW YORK

NOVEMBER
1915

THE NEW YORK CENTRAL RAILROAD COMPANY

Lake Shore and Michigan Southern Railway Twenty-five Year 4% (now mortgage) Gold Bonds

Authorized and Outstanding, $50,000,000

Dated November 18, 1903. Due September 1, 1928.
Interest payable March 1 and September 1.

Coupon bonds, $1,000 and $5,000 each, registerable as to principal or exchangeable for fully registered bonds. Registered bonds, $1,000, $5,000 and multiples thereof. Coupon and registered bonds interchangeable.

Security. These Bonds are now secured by direct mortgage, subject only to $50,400,000 first mortgage bonds, on 1,000.42 miles of line comprising the Lake Shore and Michigan Southern Division of the New York Central System, extending westward from Buffalo through Cleveland, Sandusky and Toledo to Chicago, with extensions to Detroit, Lansing, Kalamazoo and other important cities. A leasehold interest in 21.82 miles additional, and equipment, subject to about $18,000,000 equipment trust certificates, are also pledged under the mortgage. The mortgages securing the underlying bonds are closed. Under the terms of the Lake Shore and Michigan Southern Railway Gold Bond Mortgage, these Bonds are secured equally and ratably with the Twenty-five Year 4's of 1931. Under the terms of the supplemental indenture (dated June 15, 1915) to the New York Central's Refunding and Improvement Mortgage, bonds are reserved to retire this issue. The total debt per mile under lien, including this issue and the 4's of 1931, amounts to $150,336.

Interest on these Bonds is being paid without deduction of the Federal Normal Income Tax.

Prior to its merger with The New York Central Railroad Company, The Lake Shore and Michigan Southern Railway Company had an unbroken dividend record since 1887. From 1907 to 1914 dividends averaging nearly 15½% per annum were paid.

Earnings. Lake Shore and Michigan Southern Division of The New York Central Railroad Company:

Years ended December 31,	1913	1914
Income available for interest, rentals, etc.,	$23,954,488	$19,012,176
Interest, rentals, etc.,	11,466,148	11,887,303

PRICE: 95¾ and interest, to yield 4.43%.

KANSAS CITY TERMINAL RAILWAY COMPANY

First Mortgage 4% Gold Bonds

Authorized, $50,000,000 Outstanding in hands of public, $33,094,000
($8,667,000 additional pledged as collateral)

Dated Jan. 3, 1910. Due Jan. 1, 1960.
Interest payable Jan. 1 and July 1.

Coupon bonds, $1,000 each, registerable as to principal or exchangeable for fully registered bonds. Registered bonds, $1,000, $5,000 and $10,000 each. Coupon and registered bonds interchangeable.

Redeemable as a whole at 105 and accrued interest on Jan. 1, 1930 or any interest date thereafter upon 8 weeks' notice.

Security. These Bonds are secured by first mortgage, subject in part to $2,500,000 underlying 6% bonds, on the Company's extensive terminal facilities in Kansas City. The cost of the new terminal improvements according to the contemplated plans was estimated at about $40,000,000.

The following twelve Companies are bound unconditionally to provide funds for payment of principal and interest of these Bonds: The Atchison, Topeka and Santa Fe Railway Co., Chicago, Milwaukee and St. Paul Railway Co., The Chicago, Rock Island and Pacific Railway Co., St. Louis and San Francisco Railroad Co., Union Pacific Railroad Co., The Chicago and Alton Railroad Co., The Wabash Railroad Co., Missouri, Kansas and Texas Railway Co., The Missouri Pacific Railway Co., Chicago, Burlington and Quincy Railroad Co., Chicago Great Western Railroad Co., and The Kansas City Southern Railway Co. Each Company agrees to pay an amount equal to one-twelfth of the principal and interest, when due, of all bonds of this issue at any time outstanding. If any company shall fail to meet its obligations under this agreement, the other companies must make up all deficiencies ratably.

Interest on these Bonds is being paid without deduction of the Federal Normal Income Tax.

Junior Securities. These Bonds are followed by £1,000,000 5% Secured Sterling Notes; and $1,200,000 Capital Stock, all of which is owned in equal amounts by the guarantor companies.

PRICE: 90 and interest, to yield 4.52%.

SOUTHERN PACIFIC RAILROAD COMPANY

First Refunding Mortgage 4% Gold Bonds

Authorized, $160,000,000 Outstanding, $143,886,500

Dated Jan. 3, 1905. Due Jan. 1, 1955.
Interest payable Jan. 1 and July 1.

Coupon bonds, $1,000 and $500, registerable as to principal or exchangeable for fully registered bonds. Registered bonds $500 and multiples thereof. Coupon and registered bonds interchangeable.

Redeemable at 105 and interest on any interest day upon three months' notice.

Security. These Bonds are secured by general mortgage, subject to $13,485,500 underlying bonds, on 3,108 miles of line comprising the entire mileage owned by the Southern Pacific Railroad Company in the States of California, Arizona and New Mexico. The underlying mortgages are closed and may not be extended. Sufficient bonds are reserved under the First Refunding Mortgage to retire the underlying issues. The total debt per mile amounts to about $50,600 including the cost of valuable terminals, rolling stock and equipment which are also pledged under the mortgage.

The payment of the principal and interest of these Bonds is guaranteed by the Southern Pacific Company by endorsement on each bond.
Interest on these Bonds is being paid without deduction of the Federal Normal Income Tax.

Junior Securities. The Southern Pacific Company has outstanding, junior to its guarantee, $272,674,405 Capital Stock upon which dividends have been paid at the rate of 6% per annum since 1908.

Earnings. Income Statement, Southern Pacific Company (Guarantor), showing income available for dividends, the payment of which is subordinate to the guarantee:

Years ended June 30,	1914	1915
Income available for dividends,	$20,452,216	$19,630,595
Present guaranteed annual interest charge, this issue,	$5,755,460	

PRICE: 90¼ and interest, to yield 4.53%.

SUPPLEMENTARY OFFERING OF SHORT TERM SECURITIES

THE NEW YORK, NEW HAVEN AND HARTFORD RAILROAD COMPANY—One Year 5% Collateral Gold Notes, due May 1, 1916. Authorized and Outstanding, $27,000,000.

Coupon notes, $1,000, $5,000 and $10,000 each. Dated May 1, 1915. Interest payable November 1, 1915 and May 1, 1916. Redeemable on and after November 1, 1915, at 100½ and interest, on sixty days' notice.

PRICE: **101 and interest, to yield 2.72%.**

ANACONDA COPPER MINING COMPANY—Two Year 5% Gold Notes, due March 1, 1917. Authorized and Outstanding, $16,000,000.

Coupon notes, $1,000 each. Dated March 1, 1915. Interest payable March 1 and September 1. Redeemable at 101 and interest on any interest date on not less than thirty days' notice.

PRICE: **101⅜ and interest, to yield 3.85%.**

INTERNATIONAL HARVESTER COMPANY OF NEW JERSEY—Three and One-half Year 5% Gold Notes, due February 15, 1918. Authorized and Outstanding, $20,000,000.

Coupon notes, $1,000, $5,000 and $10,000 each. Dated Aug. 15, 1914. Interest payable Aug. 15 and Feb. 15.

PRICE: **101⅝ and interest, to yield 4.22%.**

GOVERNMENT OF THE DOMINION OF CANADA—Five Per Cent. Gold Notes, $25,000,000 due August 1, 1916, and $20,000,000 due August 1, 1917.

Coupon notes, $1,000 each. Dated August 1, 1915. Interest payable February 1 and August 1. Principal and interest payable at the Agency of the Bank of Montreal, New York City, in United States gold dollars, or at the Bank of Montreal, Montreal. Exempt from all present and future taxes imposed by the Dominion of Canada.

PRICE: **1916 issue, 100⅝ and interest, to yield 3.98%. 1917 issue, 100⅜ and interest, to yield 4.76%.**

ASSOCIATED SIMMONS HARDWARE COMPANIES—Five-Year 5% Secured Gold Notes, due January 1, 1917. Authorized, $6,000,000. Outstanding, $5,000,000.

Coupon notes, $1,000 each, may be registered as to principal. Dated October 2, 1911. Interest payable January 1 and July 1. Redeemable as a whole at 101 and interest on any interest date.

PRICE: **100¼ and interest, to yield 4.75%.**

CHICAGO & WESTERN INDIANA RAILROAD COMPANY—Two Year 5% Collateral Gold Notes, due September 1, 1917. Authorized and Outstanding, $12,935,000.

Coupon notes, $1,000, $5,000 and $10,000 each. Dated September 1, 1915. Interest payable March 1 and September 1. Redeemable at 101 and interest at any time on sixty days' notice.

PRICE: **100⅛ and interest, to yield 4.92%.**

GOVERNMENT OF THE ARGENTINE NATION—Six Per Cent. Gold Notes, due Series "B" $5,000,000 December 15, 1916, and Series "C" $5,000,000 December 15, 1917.

Coupon notes, $1,000 each. Dated December 15, 1914. Interest payable June 15 and December 15. Principal and interest payable in United States gold dollars at The National City Bank of New York. Redeemable at 101 and interest on any interest date on ninety days' published notice. Exempt from all Argentine Taxes.

PRICE: **Series "B" 101¾ and interest, to yield 4.28%. Series "C" 101½ and interest, to yield 5.22%.**

THE CHESAPEAKE AND OHIO RAILWAY COMPANY—Five-Year 5% Secured Gold Notes, due June 1, 1919. Authorized, $40,000,000. Outstanding, $33,000,000.

Coupon notes, $1,000 each, may be registered as to principal. Dated June 1, 1914. Interest payable December 1 and June 1. Redeemable as a whole or in part at 101 and interest on or before June 1, 1916, or at 100 and interest thereafter on any interest date upon thirty days' notice.

PRICE: **98¾ and interest, to yield 5.39%.**

GOVERNMENT OF THE ARGENTINE NATION—Five Year 6% Treasury Gold Bonds, due May 15, 1920.

Coupon bonds, $1,000 each. Dated May 15, 1915. Interest payable November 15 and May 15. Principal and interest payable in United States gold dollars at The National City Bank of New York. Exempt from all present or future Argentine Taxes.

PRICE: **100¼ and interest, to yield 5.93%.**

COMPLETE DESCRIPTIONS OF THE ABOVE ISSUES WILL BE FURNISHED UPON REQUEST. OFFERINGS SUBJECT TO PRIOR SALE AND CHANGE IN PRICE.

THE NATIONAL CITY BANK OF NEW YORK

The above information has been compiled from official statements and statistics. We do not guarantee, but believe it to be correct.

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THE NEW YORK CONNECTING RAILROAD COMPANY

First Mortgage 4½% Gold Bonds, Series "A"

Authorized, $30,000,000 **Outstanding, $16,000,000**

Dated August 1, 1913. Due August 1, 1953.
Interest payable February 1 and August 1.

Coupon bonds, $1,000 each, registerable as to principal, and registered bonds, $1,000 each and multiples thereof, interchangeable.

Redeemable at not over 105 and accrued interest on any interest date on or after Aug. 1, 1918 on 90 days' notice.

Security. The mortgage securing these Bonds covers the entire property of The New York Connecting Railroad, consisting of about nine miles of road, being built and equipped for electrical operation entirely within the City of New York. This road when completed will extend from a connection with the New Haven System at Port Morris, Borough of Bronx, over the East River to a connection with the Long Island Railroad at Fresh Pond Junction, Borough of Queens, and will include an extension from Bowery Bay Junction to Woodside Avenue, where connection will be had with the New York Tunnel extension of the Pennsylvania System. The mortgage also covers the bridge over the East River and valuable trackage rights for freight traffic over the Long Island Railroad from Fresh Pond Junction to Bay Ridge, whence heavy freight trains will be floated across New York Bay to Greenville in the Southern part of Jersey City, N. J., a distance of less than three and one-half miles, in lieu of the present East River float service of over fourteen miles.

The New York Connecting Railroad will be the connecting link between the Pennsylvania and the New Haven Systems for the interchange of through freight and passenger traffic from New England to the South and the West.

The payment of the principal and interest of these Bonds is guaranteed, jointly and severally, by The Pennsylvania Railroad Company and The New York, New Haven and Hartford Railroad Company by endorsement on each bond.

Exempt from personal taxation under the mortgage tax law of the State of New York.

Junior Securities. This issue is followed by $3,000,000 Capital Stock, which is owned jointly, in equal amounts by the Pennsylvania and the New York, New Haven & Hartford railroad companies. The Pennsylvania Railroad has outstanding, junior to its guarantee, $499,265,700 Capital Stock upon which dividends are being paid at the rate of 6% per annum; and the New York, New Haven & Hartford Railroad has outstanding, junior to its guarantee, $157,117,900 Capital Stock.

Earnings. The annual reports of the Guarantor Companies to the Interstate Commerce Commission show the following income available for dividends, the payment of which is subordinate to the guarantee:

Years ended June 30,	1913	1914
Pennsylvania Railroad,	$38,997,042	$34,625,116
N. Y., N. H. & H. R. R., after payment of certain guarantees,	8,922,238	268,663
Total available for dividends,	$47,919,280	$34,893,779

Guaranteed annual interest charges on $16,000,000 New York Connecting R. R. 4½s, only $720,000

During the year ended June 30, 1915 the N. Y., N. H. & H. R. R., earned $2,307,971 available for dividends; and the Pennsylvania R. R. earned $36,375,649 net after taxes as compared with $35,782,442 for the previous year.

PRICE: 97½ and interest, to yield 4.64%.

FLORIDA EAST COAST RAILWAY COMPANY

First Mortgage 4½% Fifty-Year Gold Bonds

Dated June 1, 1909. Due June 1, 1959.
Interest payable June 1 and December 1.

Authorized and Outstanding, $12,000,000

Coupon bonds, $1,000 each, and registered bonds interchangeable.

Security. These Bonds are secured by first mortgage on approximately 615 of the 690 miles of line owned by the Florida East Coast Railway Company. The First Mortgage Bonds including those issued for a large portion of the Company's equipment (also pledged under the mortgage) are outstanding at the rate of only $19,500 per mile. The cash cost of the Company's property has been well in excess of $40,000,000.

The line of the Florida East Coast extends south from Jacksonville, along the eastern coast of Florida to Key West, with branches to South Jacksonville, Enterprise, Orange City Junction, Palm Beach and elsewhere. It forms the sole outlet south along the east coast of Florida for the Seaboard Air Line, Atlantic Coast Line and Southern Railway systems, with which it connects at Jacksonville. The railway from Jacksonville to Miami (about 366 miles) has been in operation since 1895. With the opening of the extension to Key West in January, 1912, and the car ferry service to Havana in January, 1915, the road now forms a link in a practically all-rail route to Cuba. Construction work on a branch line from Maytown south to Lake Okeechobee is nearing completion. On June 30, 1914, 73.5 miles or over half the line was reported in operation. This extension will open up and help to develop a very fertile agricultural region in the interior of Florida.

Interest on these Bonds is being paid without deduction of the Federal Normal Income Tax.

The population of Florida in 1910 amounted to 752,610, an increase of 42% over 1900. This rate of increase was the greatest reported by any state east of the Mississippi River. During the same period the value of farm lands in Florida increased 204% and farm buildings increased 144%, while similar figures for the entire United States were only 118% and 77% respectively.

Junior Securities. The Florida East Coast Railway Company has outstanding, junior in lien to this issue, $25,000,000 General Mortgage Income 5s (closed issue) which paid 3½% in 1910, 4% in 1911, 2½% in 1912, 1913 and 1914 and 4% in 1915; and $10,000,000 Capital Stock paid for in cash at par.

Earnings.

Years ended June 30,	1913	1914	1915
Gross earnings,	$5,021,795	$5,334,653	$5,513,477
Income available for interest on 4½s after all other charges,	1,035,431	1,243,714	1,753,319
Interest on $12,000,000 outstanding 4½s,			$540,000

PRICE: 95 and interest, to yield 4.77%.

THE NATIONAL CITY BANK OF NEW YORK

The above information has been compiled from official statements and statistics upon which we have relied in our purchase of these securities. We do not guarantee, but believe it to be correct.

All offerings are subject to prior sale and change in price.

IN ADDITION TO THE SECURITIES SPECIFICALLY OFFERED HEREWITH WE ARE AT ALL TIMES PREPARED TO PURCHASE OR SELL:

UNITED STATES BONDS

TERRITORIAL "

NEW YORK STATE "

NEW YORK CITY "

WE SHALL BE PLEASED TO NAME FIRM PRICES ON THESE ISSUES UPON WRITTEN OR TELEGRAPHIC REQUEST.